DAILY PILOT
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Commentary: Prop. 13 reform would make state even less competitive

By Michelle Steel

April 30 is California's Tax Freedom Day, the day when taxpayers can stop working for the government and start working for themselves. This year Californians have worked nine more days than the national average, and six more days than we did last year to pay off our federal, state and local tax burden.

Tax Freedom Day was created in 1948 by Florida businessman Dallas Hostetler. He gave the concept to the Tax Foundation in 1971, and it has been calculating the day ever since.

It took 111 days for the nation as a whole to earn enough money to pay its total tax bill for the year, according to the report. Because state and local tax burdens vary widely across the country, and California's burden leans toward the heavy side, it took us 120 days to be able to pay our taxes. Compared with last year, California fell two places in Tax Freedom Day, dropping to 47th place from 45th. Another Tax Foundation report could help tell us why.

According to the 2014 Business Tax Climate Index, California ranks 48th among the states for hospitality to business and economic growth. Our state has been firmly planted near the bottom of the list year after year, because our complex and high taxes make doing business in this state less desirable and, therefore, less competitive with other states.

For just one example, economist John Husing has shown in his latest Inland Empire Quarterly Economic Report that while U.S. manufacturing jobs increased by 620,000 since 2010, "Unfortunately, California has not participated in this growth. In this period, its manufacturing employment grew by just 7,300 jobs, or 0.6%. Once a powerhouse, the state was responsible for just 1.2% of the nation's manufacturing job expansion."

What is truly unfortunate is that it could still get worse. According to the Tax Foundation's index, the one bright spot in California's tax system is the property tax.

The stability and consistency of the property tax was made possible by Proposition 13, but today that landmark initiative is under assault. Senate Bill 1021 is just one bill that could weaken the protections of Proposition 13. It would allow school districts to impose parcel taxes based on the square footage of a property and to tax parcels differently based on their classification.

SB 1021 could create a de facto split roll for property taxes, where commercial properties are taxed at higher rates than residential properties. These tax increases could make it much more expensive to do business in California, raising prices for consumers and hurting job creation.

As John Kabateck, California executive director of the National Federation of Independent Business, recently noted, SB 1021 "unfairly places an additional burden on small-business property owners and those who rent. If property taxes go up for the landlord of a small business, you can bet that the small-business owner's costs will go up as well."

If we want to work a few days less for government and a few days more for ourselves and our families, it's time to apply the principles of Proposition 13 to the rest of our tax system, to lower tax rates and simplify the tax code instead of working to bury its one bright spot. Low, fair tax rates provide fairness and consistency both for individuals and for businesses. And they open the door to economic growth.

Surfside resident **MICHELLE STEEL** is a member of the State Board of Equalization. She is running for the Orange County Board of Supervisors, District 2, which includes Costa Mesa, Newport Beach, Huntington Beach, Seal Beach and portions of Fountain Valley.